

**PUBLIC DISCLOSURE**

February 14, 2005

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**DEDHAM INSTITUTION FOR SAVINGS**

55 ELM STREET  
DEDHAM, MA 02026

DIVISION OF BANKS  
ONE SOUTH STATION  
BOSTON, MA 02110

<p><b>NOTE:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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## GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **DEDHAM INSTITUTION FOR SAVINGS (or the "Bank")** prepared by the Division, the institution's supervisory agency, as of **February 14, 2005**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

### **INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"**

Under the Lending Test, the bank is assigned an overall rating of High Satisfactory. Approximately, 71.1 percent of the Bank's mortgage loans and 65.5 percent of the Bank's small business loans were made in the assessment area. Lending was well distributed throughout the assessment area. The Bank's distribution of home mortgage and small business loans among the various census tracts was adequate. The Bank's distribution of its home mortgage loans among borrowers of different income levels was good given the assessment area's demographics and the comparison of all other Home Mortgage Disclosure Act ("HMDA") reporting lenders within the assessment area. The Bank is an active community development lender and finances projects that create and preserve affordable housing in the community. The Bank's use of innovative and flexible lending products is considered adequate. In addition, the Bank's fair lending performance was found to be satisfactory at this time.

Dedham Institution for Savings has a high level of qualified community development investments and grants. The Bank has exhibited a good responsiveness to credit and community economic development needs. The Bank has also sought investments to support community development initiatives. Based on the review conducted under the Investment Test, the Bank's investment performance is rated High Satisfactory.

Dedham Institution for Savings has demonstrated a satisfactory level of service to its assessment area. The Bank's delivery systems are readily accessible to all portions of the assessment area. The Bank's services are tailored to meet the needs of the assessment area, with specific services benefiting low and moderate-income individuals. Bank personnel meet with local community organizations to discuss the credit needs of the community, and make their own personal contributions through volunteer efforts in a variety of public service, charitable, and youth organizations.

## LENDING, INVESTMENT, AND SERVICE TEST TABLE

<b>PERFORMANCE TESTS</b> <b>Dedham Institution for Savings</b>			
<b>Performance Levels</b>	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	<b>X</b>	<b>X</b>	
Satisfactory			<b>X</b>
Needs to Improve			
Substantial Non-Compliance			

\*Note: The Lending Test is weighed more heavily than the Service and Investment Tests when arriving at an overall rating.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

The Dedham Institution for Savings is an \$865 million institution headquartered at 55 Elm Street in Dedham, Massachusetts. The Bank operates 8 full-service offices and 2 limited-service offices that are all located in the Norfolk County with a full-time equivalent staff of 189.

Consistent with its mutual savings bank origins, Dedham Institution for Savings is primarily a residential mortgage lender. As shown by the data in the following table, loans secured by 1-4 family residential properties account for 83.6 percent of the Bank's \$516 million in outstanding loans. In 2003, the Bank sold 665 mortgage loans totaling more than \$108.8 million. Additionally, in 2004, the Bank sold 349 mortgage loans totaling more than \$68.9 million. Participation in the secondary mortgage loan market allows the Bank to offer a variety of fixed-rate and adjustable-rate mortgage loan products. The loans sold are not reflected in the following table.

### **Loan Portfolio Composition**

<b>Loan Type</b>	<b>Amount (000s)</b>	<b>Percent</b>
One to Four-Family Residential Mortgages	431,744	83.6
Commercial Properties	42,984	8.3
Commercial and Industrial	8,273	1.6
Construction and Land Development	8,019	1.6
Equity Lines of Credit	21,187	4.1
Multifamily (5 or more dwellings)	174	0.1
Consumer Loans	3,779	0.7
<b>Total Gross Loans</b>	<b>516,160</b>	<b>100.0%</b>

Source: December 31, 2004 Report of Condition.

There has not been a significant change in the composition of the Bank's loan portfolio since the previous examination. The Bank continues to primarily be a residential lender. The composition of the Bank's loan portfolio consists of mortgage loans, commercial real estate loans, home equity loans and consumer loans. Business and commercial lending is provided through commercial loans and lines of credit.

The Bank offers a variety of loan products that include first-time homebuyer residential mortgages, both in-house developed and external programs; other conventional residential mortgages; jumbo residential mortgages; consumer loans; and numerous commercial real estate and commercial loans.

Dedham Institution for Savings operates in a highly competitive market. The Bank's competition consists of several local banks, credit unions, a branch network of national banks and a number of mortgage companies throughout the assessment area. The local banks that compete directly with Dedham Institution for Savings are Bank of America, Citizens Bank, Hyde Park Savings Bank, Needham Cooperative Bank, Walpole Cooperative Bank, Sharon Cooperative Bank, and Norwood Cooperative Bank. The

## **PERFORMANCE CONTEXT (CONTINUED)**

### **Description of Institution (Continued)**

market influence from these entities appears to be significant, and as a result, serves to keep the Bank's rates and services offered very competitive.

Market share information obtained from PCI Services, Inc. CRA WIZ, based on 2003 aggregate performance data, indicates 515 mortgage companies, savings banks, commercial banks, cooperative banks, and credit unions have either originated or purchased residential mortgage loans within the Bank's assessment area.

There are no significant financial or legal impediments which limit the Bank's ability to help meet the credit needs of the community. The Bank's most recent CRA evaluations, performed concurrently by the Division and the Federal Deposit Insurance Corporation ("FDIC") as of March 19, 2002 assigned a rating of "Satisfactory".

### **Description of Assessment Area**

CRA requires a financial institution to identify one or more assessment areas which it intends to help meet the area's credit needs. Dedham Institution for Savings' assessment area includes the following Massachusetts cities and towns: Canton, Dedham, Dover, Foxboro, Mansfield, Milton, Medfield, Needham, Norfolk, Norwood, Randolph, Sharon, Stoughton, Walpole, Wellesley, Westwood and parts of following neighborhoods of Boston: Roslindale, Hyde Park, and West Roxbury. All of the communities are located within Norfolk County with the exception of the Boston neighborhoods which are located in Suffolk County and the Town of Mansfield which is located in Bristol County.

Dedham is one of the oldest towns in the Commonwealth. The town square is still a lively, well-preserved center with lots of shops, restaurants and municipal buildings, including an old-fashioned movie house. Dedham has several distinct sections, from rural sections close to the Westwood and Needham borders to the more closely developed areas near the center and Boston's Hyde Park boundary. Just outside of the downtown area is Route 1, which bisects the town and is a hub for commercial and retail businesses, numerous restaurant chains and a deluxe cinema complex.

According to 2000 census data, Dedham Institution for Savings' assessment area has 161,405 housing units of which, 71 percent are owner-occupied, 27 percent are rental occupied units and 2 percent are vacant housing units. One to four family properties comprise 84 percent of the total housing units.

Census tracts are defined as low-, moderate-, middle- or upper-income based on median Family Household Income ("FHI") within the census tract. The assessment area consists of 83 census tracts: 8 (9.64 percent) moderate-income, 42 (50.60 percent) middle-income and 33 (39.76 percent) upper-income.

## **PERFORMANCE CONTEXT (CONTINUED)**

### **Description of Assessment Area (Continued)**

Please refer to the table below regarding other housing characteristics.

<b><i>Selected Housing Characteristics by Income Category of the Geography</i></b>						
<b><i>Geographic Income Category</i></b>	<b><i>Percentage</i></b>					
	<b><i>Census Tracts</i></b>	<b><i>House holds</i></b>	<b><i>Housing Units</i></b>	<b><i>Owner-Occupied</i></b>	<b><i>Rental Units</i></b>	<b><i>Vacant Units</i></b>
<b><i>Low</i></b>	-	-	-	-	-	-
<b><i>Moderate</i></b>	9.64%	9.95%	10.00%	41.53%	20.58%	2.87%
<b><i>Middle</i></b>	50.60%	51.33%	51.40%	66.51%	59.24%	2.57%
<b><i>Upper</i></b>	39.76%	38.73%	38.60%	84.08%	20.18%	2.13%
<b><i>NA</i></b>	-	-	-	-	-	-
<b><i>Total or Median</i></b>	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: 2000 U.S. Census

### ***Change in Metropolitan Statistical Area ("MSA") for 2004***

The Office of Management and Budget ("OMB") revised its Standards for Defining Metropolitan and Micropolitan Areas in December 2000 under the Metropolitan Area program. In June 2003, OMB defined new MSA boundaries, which were then updated in February 2004, effective January 2004. The new definitions resulted in the reintroduction of the term MSA instead of metropolitan area, and changes to the boundaries of many existing MSAs. The application of OMB's 2000 standards will result in some census tracts changing income levels without any real change in economic conditions within the tracts. In part, these changes are the result of different criteria used by OMB in setting the 2000 standards and, subsequently, the MSA/Metropolitan Division ("MD") boundaries that impact 2004 data.

As a result of the OMB revision the census tracts for 2004 are as follows:

<b>Change in MSA Tracts</b>					
<b>Census Tracts</b>	<b>2003 Census Data</b>		<b>2004 Census Data</b>		<b>Change in Number of Census Tracts</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	
<b>Low</b>	0	0.00	0	0.00	-
<b>Moderate</b>	8	9.64	7	8.43	(1)
<b>Middle</b>	42	50.60	32	38.55	(10)
<b>Upper</b>	33	39.76	44	53.01	11
<b>NA</b>	0	0.00	0	0.00	-
<b>Total</b>	83	100.0	83	100.0	0.0

The median family income for the Boston MSA for 2003 is \$80,800 and \$58,400 for Providence- New Bedford- Fall River, RI-MA. The median family income for the Boston Quincy MD and Providence- New Bedford- Fall River, RI-MA for 2004 are \$75,300 and \$61,300 respectively. The income figures are based on estimated Department of Housing and Urban Development ("HUD") information. Low-income is defined by the US Census

## **PERFORMANCE CONTEXT (CONTINUED)**

### **Description of Assessment Area (Continued)**

Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

Demographic information for the Bank's assessment area was obtained from data compiled by the 2000 U.S. Census as well as by the MSA boundaries established in January 2004. Information based on the newly revised MSA boundaries was used to evaluate the Bank's 2004 performance while the "older" boundaries were used to evaluate the Bank's 2003 performance. Consequently, the distribution of loans in 2003 will be discussed separately.

Numerous businesses operate throughout the area, most of which are concentrated in the upper-income census tracts. The highest proportion of these business establishments are engaged in the service industry. Businesses involved in retail trade and construction also make up a significant share of the establishments. Approximately 87.4 percent of the businesses have revenues of under \$1 million and over half employ four or fewer people.

Unemployment figures were obtained for the assessment area. As of December 2004 the assessment area had an unemployment rate of 2.7 percent. The Town of Randolph had the highest rate while the Town of Dover had the lowest. The assessment area's unemployment rate was lower than the statewide average of 4.6 percent.

The area's housing prices continue to rise considerably. Statistics published by the Warren Group show that the area's median home sales price for 2004 ranged from a low of \$299,000 in Randolph to a high of \$860,000 in Dover.

### **Community Contacts**

Community contacts that were conducted in the Bank's assessment area within the past six months revealed that the area is in serious need of affordable housing and programs that will help serve individuals seeking to purchase their first home.



## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### LENDING TEST

The institution's Lending Test performance was rated an overall "High Satisfactory". The institution's lending efforts are rated under the seven performance criteria: Lending Activity, Geographic Distribution, Borrower Characteristics, Community Development Lending, Innovative or Flexible Lending Practices, Fair Lending, and Loss of Affordable Housing. The following information details the data compiled and reviewed, as well as conclusions on the Bank's performance.

#### Scope of Evaluation

The lending test evaluates an institution's record of helping to meet the credit needs of its assessment area based on an analysis of its residential mortgage, small business, and community development loans. Residential mortgage and small business loans originated during 2003 and 2004 were included in the Bank's performance.

The data used to evaluate the Bank's lending was derived from the Home Mortgage Disclosure Act/Loan Application Register ("HMDA/LAR"), small business loan register, and the Bank's community development loan register.

#### *I. Lending Activity*

The Federal Financial Institutions Examination Council ("FFIEC") has adopted a set of standard tables for use in every large bank CRA Public Evaluation based on the various categories of loans reported under HMDA and CRA data requirements. HMDA data includes information regarding the origination and purchase of residential mortgages for purchasing and refinancing one-to-four family residential properties, home improvement loans, and loans secured by multifamily residential properties. CRA data includes information regarding the origination of small business and small farm loans. These tables are sequentially numbered 1–15 and are contained in Appendix C. According to FFIEC procedures, any tables regarding a category of loans that an institution does not originate, purchase, or elect to report are to be omitted from Appendix C. For purposes of this public evaluation, the loan types excluded from this analysis include the following:

1. Home Improvement Loans (Table 3) – a type of credit that the Bank offers but is not of sufficient volume (i.e. only 6.0% of total HMDA originations) to conduct a meaningful analysis.
2. Home equity lines of credit used for home improvement purposes (also Table 3) - a type of credit that the Bank has elected not to report under applicable HMDA regulations.
3. Small farm loans (Table 7), a type of credit that the Bank does not offer.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

### LENDING TEST (CONTINUED)

With the origination of 1,751 HMDA reportable loans totaling \$431.3 million and 112 small business loans totaling \$22.9 million during calendar years 2003 and 2004, Dedham Institution for Savings appears to display a good level of responsiveness to local credit needs. Aggregate HMDA data (i.e. data for all HMDA reporting lenders) shows that the Bank ranked twentieth in total mortgage volume among lenders doing business in the assessment area during 2003. Of note is that of the 19 lenders that ranked higher, only three, Citizens Bank of Massachusetts, Fleet (now Bank of America), and Sovereign Bank, are depository institutions. All of the rest are mortgage companies, most with national markets. Aggregate data for CRA Small Business Loans shows that the Bank ranked 46<sup>th</sup>. However, Dedham Institution for Savings is primarily a residential mortgage lender.

Another way to measure an institution's loan volume is its loan-to-deposit ("LTD") ratio. Data regarding banks of a type and size similar show that their average LTD ratios for the previous 8 quarters generally fell in the 68.0% to 120.0 % range, well above the Bank's average LTD of 62.7% for the same period. However, with secondary market sales of \$177.8 million since the previous examination, management appears to make good use of the Bank's financial resources as a means to supply credit. The following table shows the annual volume of HMDA and CRA small business loans originated and purchased by the Bank during each of the two calendar years preceding this examination:

**Lending Volume**

Loan Type	2003		2004		Total	
	#	\$(000)	#	\$(000)	#	\$(000)
<b>HMDA Loans</b>						
Purchase	138	48,506	301	104,351	439	152,857
Refinance	867	173,856	352	93,545	1,219	267,401
Home Improvement	19	860	73	10,017	92	10,877
Multifamily	0	0	1	174	1	174
Total HMDA Loans	1,024	223,222	727	208,087	1,751	431,309
<b>CRA Small Business Loans</b>	52	14,422	60	8,476	112	22,898
<b>Grand Total</b>	1,076	237,644	787	216,563	1,863	454,207

Source: HMDA and CRA Loan Application Registers for calendar years 2003 and 2004.

With 71.1% and 65.5% of the number of all residential mortgages and commercial loans secured by properties or granted to businesses located within the Bank's assessment area during calendar years 2003 and 2004, respectively, the Bank originates a good percentage of loans within its assessment area. The overall proportion of loans originated within the assessment area has declined between 2003 and 2004. However, this appears to be attributable to the sharp decline in the demand for residential mortgage refinances as interest rates began to gradually increase in mid 2003. As a result, not only did overall loan volume decline, but so did the proportion of loans within the delineated area since, according to management, the demand for refinances was driven primarily by existing mortgage customers, borrowers who tend to

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

### LENDING TEST (CONTINUED)

already reside locally. The following table shows the proportion of loans originated inside and outside of the Bank's assessment area for the two calendar years preceding this examination:

**Lending Within the Assessment Area**

Loan Type	2003 Number of Loans					2004 Number of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	#	%	#	%	#
Purchase	78	56.5	60	43.5	138	120	61.9	74	38.1	194
Refinance	638	73.6	229	26.4	867	205	67.4	99	32.6	304
Home Improvement	16	84.2	3	15.8	19	52	71.2	21	28.8	73
Multifamily	0	0.0	0	0.0	0	0	0.0	0	0.0	0
Small Business	33	63.5	19	36.5	52	36	60.0	24	40.0	60
Subtotal	765	71.1	311	28.9	1,076	413	65.5	218	34.5	631

Source: HMDA and CRA Loan Application Registers for calendar years 2002 and 2003.

### ***II. Geographic Distribution of Loans***

The geographic distribution of the Bank's residential mortgages and small business loans indicates that management has achieved an adequate level of penetration throughout the assessment area.

In late 2003, management undertook a specific effort to improve the geographic distribution of the Bank's home mortgage loans by assigning the portion of the Bank's assessment area located within the City of Boston to a loan originator who lives in the area and specializes in mortgage products tailored to the needs of low- and moderate-income home buyers/homeowners. However, while activity in the area's moderate-income geographies improved, it is difficult to measure the overall success of these efforts with the reconfiguration of census tract income groups between 2003 and 2004 and the absence of aggregate HMDA data for calendar year 2004, the first year of the Bank's initiative. It should also be noted that, despite management's efforts to improve its lending in the area's moderate-income census tracts, Hyde Park, Roslindale, and West Roxbury are highly competitive areas. These three Boston neighborhoods contain the offices of several institutions including three locally-based banks (The Cooperative Bank in Roslindale and Hyde Park Savings and Hyde Park Co-operative Bank in Hyde Park) as well as offices of Bank of America (formerly Fleet), Citizens Bank of Massachusetts, and Sovereign Bank. While located nearby, Dedham Institution for Savings does not have a physical presence anywhere within the City of Boston.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

### LENDING TEST (CONTINUED)

#### Home Purchase Loans

A comparison of home purchase loan originations to owner-occupancy rates and aggregate lending levels in each of the three census tract income groups that are present within the Bank's assessment areas shows that the Bank is reaching geographies of all income levels, including moderate-income census tracts.<sup>1</sup> As shown in Table 2 in Appendix C, the Bank originated 78 home purchase loans during 2003. However, only 3.85% were originated in moderate-income geographies, a proportion that is not only below the 8.88% aggregate lending level but the 5.85% proportion of owner-occupied units in those areas as well. Home purchase loan activity in middle-income geographies, at 46.15% of all home purchase loans, was slightly below, but relatively consistent with, both the 48.4% aggregate and 49.4% owner-occupancy levels. In contrast, the 50% proportion of home purchase loan activity in upper-income geographies was well above the 45.89% proportion of owner-occupied properties and the 41.72% aggregate lending level in upper-income areas.

Data regarding home purchase loans originated during calendar year 2004, the first full year after the Bank's lending initiative, show a pattern of lending that is far more consistent with local demographic characteristics. Home purchase loan volume in moderate-income geographies increased to 8.33%, well above the 5.48% owner-occupancy level in those areas. Activity in middle- and upper-income geographies, at 33.33% and 58.33%, respectively, was nearly identical to the 33.54% and 60.98% owner-occupancy rates in each respective area.

#### Home Mortgage Refinances

Table 4 shows that 3.29% the Bank's home mortgage refinances during 2003 were originated in moderate-income census tracts, an amount that is well below the both aggregate lending level and the proportion of owner-occupied units in moderate-income geographies, at 5.61% and 5.85%, respectively. Activity in middle-income geographies, at 51.1%, exceeds both aggregate lending levels and owner-occupancy rates of 43.98% and 48.26%, respectively. Activity in upper-income geographies, at 45.61%, was slightly below the respective aggregate and owner-occupancy levels of 50.43% and 45.89%.

Like home purchase loans, home mortgage refinancing activity during 2004 saw loan volume in moderate-income geographies increase. However, at 4.39%, loan activity remained below the 5.48% owner-occupancy rate in the area's moderate-income census tracts. Home mortgage refinancing activity in middle- and upper-income geographies, at 34.15% and 61.46%, respectively, slightly exceeded the respective owner-occupancy rates of 33.54% and 60.96%.

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<sup>1</sup> As mentioned previously, the Bank's assessment area does not contain any low-income census tracts.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

### LENDING TEST (CONTINUED)

It appears likely that refinancing volume in moderate-income areas remained below owner-occupancy levels since, with rising interest rates, the volume of refinances in 2004 dropped to less than one-third of its 2003 level. As described previously, the Bank's demand for refinances also tends to be driven primarily by existing mortgage customers. Prior to the expansion of its market into Boston's southern-most neighborhoods, those customers tended to be concentrated in the Bank's traditional suburban market area composed of Dedham and the surrounding suburban communities where its offices are located.

#### Small Business Loans

Table 6 in Appendix C shows the geographic distribution of the Bank's small business loans originated during calendar years 2003 and 2004. As the data for both years show, all of the Bank's small business loans were originated in middle- and upper-income geographies. However, this is not weighted heavily since the Bank is primarily a residential mortgage lender and originated a total of only 69 small business loans during the two year period

### **III. Distribution of Loans by Borrower Income**

The distribution of the Bank's residential mortgages and small business loans to borrowers of different incomes and businesses of different sizes reflects a good level of penetration among retail customers of different incomes and business of sizes.

#### Home Purchase Loans

A comparison of the Bank's home purchase loan originations to the owner-occupancy rates and aggregate lending data in each of the four borrower income groups for calendar year 2003 shows that the Bank is reaching borrowers of all income levels, including low- and moderate-income households. The data in Table 8 shows that home purchase loan activity by the Bank and other HMDA reporting lenders is well below the 14.64% representation of low-income families in the local population due to the very low incomes involved. However, at 5.19% of all home purchase loans, the Bank is above the aggregate level of 3.01% among low-income home buyers. Activity among moderate-income homebuyers, at 14.29%, is virtually the same as the 14.34% aggregate level but, again, both the Bank and all other HMDA reporting lenders fall slightly below the 15.73% representation of moderate-income families in the local population as a result of the area's high housing costs. Home purchase loan activity among middle- and upper-income borrowers, at 33.77% and 46.75%, respectively, is above aggregate levels but relatively consistent with the proportion of family households in each respective income group.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

### LENDING TEST (CONTINUED)

During 2004, home purchase loan activity among low- and moderate-income families increased to 5.33% and 17.33%, respectively, even though the proportion of low- and moderate-income family households declined to 12.63% and 14.20% of the local population with the 2004 reclassification of the area's income groups. Loans to middle-income borrowers, at 29.33%, were slightly above the proportions of middle-income family households in the local population while the proportion of loans to upper-income borrowers, at 48.00%, was slightly below their 52.33% proportion of the local population.

#### Home Mortgage Refinances

Like home purchase loans, a comparison of the Bank's home mortgage refinances to the owner-occupancy rates and aggregate lending data in each of the four borrower income groups for calendar year 2003 shows that the Bank is reaching borrowers of all income levels, including low- and moderate-income households. The data in Table 10 shows that home refinancing activity among low-income borrowers, at 7.21% of all refinances, is well above the aggregate level of 4.85%. Both the Bank and other HMDA reporting lenders fall well below the 14.64% representation of low-income families in the local population in terms of loans originated since only a small proportion of the low-income residents of the area are homeowners. Activity among moderate-income families, at 20.35%, is also well above the aggregate level of 15.51% and the 15.73% representation of moderate-income families in the local population. Activity among middle-income families is well above aggregate and the proportion of middle-income families in the local population while activity among upper-income families is comparable to aggregate but somewhat below the proportion of upper-income families residing in the area.

Data for calendar year 2004 shows that activity among low-income families, at 4.44%, declined slightly from 2003 due to the higher degree of sensitivity among low-income borrowers to increasing interest rates, while refinances among moderate-income families increased slightly to 21.67%. Activity among middle- and upper-income borrowers is relatively consistent with the pattern for home purchase loans.

#### Small Business Loans

As shown in Table 11, the proportion of loans made by the Bank to businesses with gross annual revenues of \$1 million or less during 2003, at 77.78%, was well above the 34.27% aggregate level and the 63.82% proportion of small business located in the area during 2003. Loans to small businesses reflected favorable as 96.97% of all loans made by the Bank were to businesses with gross annual revenues of \$1 million or less. The data in Table 11 also show that the vast majority of all of the Bank's small business loans were originated in amounts of \$100,000 or less, a strong indication that the Bank is providing credit to the area's smallest business ventures.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

### LENDING TEST (CONTINUED)

#### IV. Community Development Lending

The institution's community development lending activities are evaluated pursuant to the following criteria: 1) the extent to which community development lending opportunities have been made available to the institution; 2) the responsiveness of the institution's community development lending; and 3) the extent the institution has demonstrated leadership in community development lending.

Management has displayed a good level of support for community development initiatives since the previous examination by originating 4 community development loans totaling \$5.1 million. The following are the loans the Bank has extended for community development purposes:

- During 2004, the Bank received Community Development Advances from the Federal Home Loan Bank of Boston to originate loans totaling \$3.9 million to help finance 3 local businesses located in Randolph, Hyde Park, and Foxborough that provide employment opportunities for low- and moderate-income residents of the area.
- In 2003, the Bank extended a \$500,000 unsecured line of credit to help finance the construction of 22 condominium units that will be sold at affordable prices to low-income families. The property is located in the Mattapan (Hyde Park) section of Boston.
- In November 2002, Dedham Institution for Savings invested \$1 million in the Boston Community Loan Fund ("BCLF"). The BCLF was established as a non-profit organization in 1985 to provide equity and subordinated debt financing to small businesses that promote economic development and projects that revitalize or stabilize low -and moderate-income neighborhoods in Massachusetts. Subsequently, the BCLF was designated as a Community Development Financial Institution in 1997.

According to the CRA regulations, an institution may receive consideration for its pro-rata share of the organization's community development loans. Dedham Institution for Savings opted to receive credit for BCLF's loans as an alternative to the amount of its qualified investment. During the review period, BCLF granted 78 loans totaling \$40.6 million to various community development organizations, the majority of which are located in the Bank's assessment area. The Bank's pro rata share of the fund's overall lending is \$3.7 million

Although they may not be specifically considered under this portion of the lending test, the Bank originated 3 additional loans totaling \$700,000 that were reported in its 2004 HMDA loan application register that had "community development" as their primary purpose. Each of the loans was used to help finance the development of housing for low- and moderate-income families.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

### LENDING TEST (CONTINUED)

#### V. Innovative and Flexible Lending Programs

The institution's innovative and flexible lending practices are evaluated pursuant to the following criteria: 1) the degree to which the loans serve low- and moderate-income creditworthy borrowers in new ways or serve groups of creditworthy borrowers not previously served by the institution; and 2) the success of each product serving low- and moderate-income borrowers, including the number and dollar volume of loans originated during the review period.

Dedham Institution for Savings offers a number of innovative and flexible lending programs for local homebuyers. Examples of the types of programs available include the following

First Time Home Buyer - The Bank offers its own mortgage for first-time home buyers purchasing single family properties and condominiums. The loan is a 3/3/ARM with a 30-year term and no points. The program features financing up to 97% (the down payment may be a gift), a maximum loan amount of \$450,000, and 33%/38% debt-to-income ratios. Since the previous examination, 150 loans totaling \$42.0 million have been originated.

Neighborhood Plus – This program is for borrowers with incomes up to 100% of the HUD median for the area in which the property is located to purchase single family homes and condominiums. The programs features extended debt-to-income ratios, 100% financing (borrowers must be able to meet closing costs and two months' reserve with gifts, grants, community seconds, or their own funds), and reduced closing costs. Since the previous examination, 32 loans totaling \$6.6 million have been originated.

Nuestra Community Development Corporation – The Bank has partnered with this private, community-based organization to originate loans for borrowers with up to 100% of the local HUD median income who are purchasing properties in the Suffolk County (Hyde Park, Roslindale, and West Roxbury) portions of the Bank's assessment area. The loan is a 30-year fixed-rate mortgage and features 100% financing without private mortgage insurance, reduced closing costs, and flexible underwriting requirements. Since the previous examination, 6 loans totaling \$1.4 million have been originated.

In addition to the programs described above, the Bank offers other specialized mortgage programs including the FNMA Community Home Buyer 3/2, the state's Municipal Employee Loan Program, and the Massachusetts Housing Finance Agency mortgages. Altogether, 22 loans totaling \$4.4 million have been originated under these programs since the last examination.



## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)**

### **LENDING TEST (CONTINUED)**

In addition to its residential mortgage programs, the Bank also offers small business financing through the SBA's 504, "Low Doc," and 7A programs. Since the previous examination, 4 loans totaling \$872,625 have been originated.

#### **VI. Fair Lending Policies and Practices**

The Bank's lending and compliance policies address fair lending issues. The policies address specific areas such as loan review, staff training, fair lending procedures, a loan application and evaluation process as well as applicable rules and regulations regarding the Fair Housing Act, ECOA, the Consumer Protection Regulation, and Regulation C (HMDA).

All employees are provided with training appropriate to their job description and their responsibilities with fair lending issues. This includes information regarding technical requirements, as well as the more substantive and subtle issues related to unintentional discrimination and quality of assistance.

The Bank's Compliance Officer conducts comprehensive reviews of the HMDA/LAR and Small Business Loan Register to check for accuracy on a quarterly basis. In addition, the Compliance Officer conducts periodic fair lending audits and CRA audits.

A fair lending review was performed as part of the examination to ensure compliance with the governing fair lending regulations. The review identified no violations of the substantive provisions of the anti-discriminatory laws and regulations.

#### **Minority Application Flow**

Dedham Institution for Savings' assessment area contains 431,820 individuals, 77,884 or 18.0% of whom are minorities. The assessment area's minority population is 0.1% Native American, 3.5% Asian, 8.1% Black, 4.4% Hispanic and 1.9% Other based on 2000 demographic data.

A review of residential loan applications was conducted in order to determine the number of applications the Bank received from minorities. The Bank received 1,200 residential loan applications from within its assessment area. During this period, 68 applications or 5.6% were received from minorities. Of the 68 applications received, 52 or 76.5 percent resulted in originations. The Bank's minority applications appear to be below 2000 Census information.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

### LENDING TEST (CONTINUED)

Refer to the following table for further details.

MINORITY APPLICATION FLOW								
RACE	Dedham Institution for Savings Bank 2003		2003 Aggregate Data		Dedham Institution for Savings Bank 2004		Dedham Institution for Savings Bank TOTAL	
	#	%	#	%	#	%	#	%
<i>Native American</i>	1	0.2	181	0.2	0	0.0	1	0.1
<i>Asian</i>	7	0.9	2,680	3.1	7	1.7	14	1.2
<i>Black</i>	21	2.6	4,902	5.8	7	1.7	28	2.3
<i>Hawaiian/Pac Isl.</i>	-	-	-	-	4	1.0	4	0.3
<i>Hispanic</i>	4	0.5	2,006	2.3	6	1.5	10	0.8
<i>Other</i>	5	0.6	1,555	1.8	-	-	5	0.4
<i>2 or more Minority</i>	-	-	-	-	1	0.3	1	0.1
<i>Joint Race</i>	-	-	-	-	5	1.2	5	0.4
<b>Total Minority</b>	<b>38</b>	<b>4.8</b>	<b>11,324</b>	<b>13.2</b>	<b>30</b>	<b>7.4</b>	<b>68</b>	<b>5.6</b>
<i>White</i>	754	94.8	52,925	61.5	346	85.4	1,100	91.7
<i>Not Provided</i>	2	0.2	14,597	17.0	-	-	2	0.2
<i>NA</i>	1	0.2	7,178	8.3	29	7.2	30	2.5
<b>Total</b>	<b>795</b>	<b>100.0</b>	<b>86,024</b>	<b>100.0</b>	<b>405</b>	<b>100.0</b>	<b>1,200</b>	<b>100.0</b>

\*Source: CRA Wiz Software.

An analysis was also performed comparing the Bank's application flow levels in 2003 to all other HMDA-reporting lenders. The comparison of this data assists in deriving reasonable expectations for the institution's minority application flow.

Aggregate information for 2003 indicated that, of the 86,024 HMDA-reportable applications received by all other lenders within the Bank's assessment area in 2003, 13.2 percent were from minorities: 0.2 percent from Native Americans, 3.1 percent from Asians, 5.8 percent from Blacks, 2.3 percent from Hispanics, and 1.8 percent from Other Minorities. The Bank received 795 applications during the same period. Of these, 4.8 percent were from minorities: 0.2 percent from Native Americans, 0.9 percent from Asians, 2.6 percent from Blacks, 0.5 percent from Hispanics, and 0.6 percent from Other minorities. Dedham Institution for Savings' minority application flow when compared to the other lenders within the assessment area is well below the aggregate.

## VII. Loss of Affordable Housing

The Bank's participation, along with its development of credit products with flexible lending criteria, and its community development lending has assisted low and moderate-income individuals and small businesses to remain in their neighborhoods.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

### LENDING TEST (CONTINUED)

#### CONCLUSION (Lending Test)

Taking into account the number and amount of home mortgage and small business loans in its assessment area, Dedham Institution of Savings has demonstrated good responsiveness to the assessment areas credit needs. A majority of the Bank's loans were made within its assessment area and were well distributed throughout the communities within the assessment area. The Bank's lending also demonstrates a good distribution of loans among individuals of different income levels. The Bank has a good record of serving businesses with gross annual revenues of \$1 million or less. The institution has granted an excellent level of community development loans, and has used innovative and flexible lending practices to address the credit needs of low and moderate-income individuals and small businesses. In addition, the Bank's fair lending performance was found to be satisfactory at this time. Therefore, the institution's lending performance receives an overall rating of High Satisfactory.

### INVESTMENT TEST

As defined under the CRA regulation, a qualified investment is a lawful investment, deposit, membership share or grant that has community development as its primary purpose. Community development includes affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, and activities that revitalize or stabilize low and moderate-income geographies. Dedham Institution for Savings is rated "High Satisfactory" in this area. The following describes the institution's qualified investments.

#### Investments

The investments consist primarily of mutual funds, mortgage-backed securities, and other marketable securities. Of the total investments, \$10.5 million is considered to be in qualified investments. The following summarize the Bank's qualified investments.

Access Capital Strategies Community Investment Fund, (ACSIF) Inc. This equity fund invests in CRA securities backed by a wide range of community development loans, including home mortgages, affordable rental housing, commercial real estate, and small business loans.

OneUnited Bank: This is a \$100,000 certificate of deposit with OneUnited Bank, a certified community development financial institution.

Federal Home Loan Mortgage Corporation (FHLMC) Mortgage Backed Bonds: These bonds contain mortgage loans made to low and moderate-income persons who live in Norfolk County and Hyde Park.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

### INVESTMENT TEST (CONTINUED)

Federal National Mortgage Association (FNMA) Mortgage Backed Securities Pools: These securities are backed by loans to low and moderate-income persons throughout Massachusetts

Purchased	Investment	Purchase Price	Book Value	Location
10/31/1999	ACSCIF	\$2,000,000	\$2,000,000	Massachusetts
11/29/2001	ACSCIF	\$1,500,000	\$1,500,000	Massachusetts
06/21/1999	One United Bank	\$100,000	\$100,000	Boston
06/21/1999	FHLMC GOLD	\$950,251	\$190,660	Norfolk County
06/21/1999	FHLMC GOLD	\$945,164	\$177,264	Norfolk County
12/14/2001	FHLMC GOLD	\$171,200	\$70,429	Hyde Park
12/14/2001	FHLMC GOLD	\$120,000	\$63,054	Hyde Park
06/14/2000	FNMA MBS Pool #543083	\$697,399	\$35,661	Boston & Weymouth
07/23/2001	FNMA MBS Pool #259245	\$527,643	\$100,327	Boston & Chelsea
09/24/2001	FNMA MBS Pool #259288	\$173,807	\$179,553	Roxbury
01/21/2003	FNMA MBS Pool #259628	\$509,104	\$281,794	Boston
02/21/2003	FNMA MBS Pool #259644	\$324,355	\$137,049	Boston
03/13/2003	FHLMC Gold	\$566,152	\$238,080	Norfolk County
03/13/2003	FNMA MBS Pool #696370	\$518,960	\$173,970	Boston
07/21/2003	FNMA MBS Pool #259773	\$497,484	\$289,285	Hyde Park
08/20/2003	FNMA MBS Pool #259803	\$427,421	\$417,632	Boston
09/20/2003	FNMA MBS Pool #259823	\$453,312	\$444,914	Boston
10/20/2003	FNMA MBS Pool #259840	\$461,759	\$444,750	Boston
11/20/2003	FNMA MBS Pool #259890	\$131,629	\$129,693	Roxbury
01/20/2004	FNMA MBS Pool #259921	\$288,336	\$284,341	Boston
02/19/2004	FNMA MBS Pool #259956	\$404,255	\$399,553	Boston
03/22/2004	FNMA MBS Pool #259966	\$282,429	\$278,465	Boston
04/22/2004	FNMA MBS Pool #259993	\$436,288	\$430,669	Boston
05/20/2004	FNMA MBS Pool #258013	\$252,885	\$250,919	Roxbury
06/21/2004	FNMA MBS Pool #258039	\$336,077	\$333,144	Roxbury
07/22/2004	FNMA MBS Pool #258083	\$242,115	\$239,620	Boston
08/19/2004	FNMA MBS Pool #258132	\$439,085	\$437,108	Hyde Park
09/22/2004	FNMA MBS Pool #258155	\$499,934	\$498,386	Hyde Park
11/22/2004	FNMA MBS Pool #258190	\$224,367	\$224,101	Hyde Park
12/20/2004	FNMA MBS Pool #258232	\$153,835	\$153,835	Boston
	TOTAL	\$15,635,246	\$10,504,256	

Source: Bank data as of 12/31/2004

### Charitable Contributions

The Bank has provided contributions to organizations that provide education and training, affordable housing, youth programs, and health and human services for individuals in need. During the review period, the Bank provided \$45,225 in charitable contributions, in support for development of facilities which promote community development, as defined under the CRA regulation. The following are examples of these contributions:

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)**

### **INVESTMENT TEST (CONTINUED)**

#### ***South Shore Habitat for Humanity***

This non-profit organization's main purpose is to provide housing for low and moderate-income people. Persons who qualify are required to participate in the construction of their home.

#### ***Health and Social Services Consortium, Inc. (HESSCO)***

This private, non-profit was organized to be the standard bearer in meeting the concerns of elders in South Norfolk County in Massachusetts. The organization's mission is to plan, develop, and coordinate an integrated system of health and social services in order to encourage a better, stronger, and more self-reliant elderly population.

#### ***Charles River Arc***

Charles River Arc's mission is to enhance the quality of life for people with mental retardation or related developmental disabilities and their families. The organization assists the people they serve to enjoy fulfilling and productive lives and to participate more fully in their communities.

#### ***Hale Reservation***

This non-profit is one of the largest and most successful facilities of its kind in the nation serving 1700 children during the summer day camp season; 500 families in a year-round family program; an Environmental Education program that provides an outdoor educational experience for approximately 5,000 students each year; and a Community Education program offering a wide range of courses and workshops to the general public. The Bank's contribution goes towards supporting low and moderate-income students to attend these programs.

#### ***Nuestra Comunidad Development Corporation***

Nuestra Comunidad is a multi-service community corporation that services low and moderate-income individuals in the City of Boston. It was founded in 1981 by residents of the Dudley neighborhood to take control of the land, build new housing, and leverage their combined energies for a better future.

#### ***Massachusetts Affordable Housing Alliance***

The Massachusetts Affordable Housing Alliance is a statewide non-profit group that works to encourage local and state government and businesses to invest more money in affordable housing.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

### INVESTMENT TEST (CONTINUED)

#### *Massachusetts Housing Partnership*

This is a statewide public non-profit affordable housing organization that works in concert with the Governor and the state Department of Housing and Community Development to help increase the supply of affordable housing in Massachusetts.

#### *The Fair Housing Center*

This is the only private, non-profit organization that works solely to eliminate housing discrimination and promote open communities throughout the region. The center serves the communities in Essex, Middlesex, Norfolk, Plymouth, and Suffolk counties.

### CONCLUSION (Investment Test)

As depicted above, Dedham Institution for Savings has a good level of qualified community development investments and a reasonable level of community development donations and grants, and has exhibited good responsiveness to credit and community economic development needs based on the opportunities in the assessment area. Therefore, the Bank's investment performance is rated High Satisfactory.

### SERVICE TEST

The Service Test evaluates an institution's record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of an institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. Dedham Institution for Savings' service activities are "Satisfactory".

The Bank's systems for delivering retail-banking services are readily accessible to geographies and individuals of different income levels within its assessment area. The Bank's low cost checking and savings accounts, as well as the convenience of its automated telephone banking system service and website, are tailored to the convenience and needs of its assessment area.

Officers and employees of the Bank have provided an adequate level of service activity in response to community needs. Retail banking services and products offer consumers flexibility and convenience. In addition, officers and employees of the Bank provide a satisfactory level of involvement in community organizations located throughout its assessment area. The following details the institution's services.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)**

### **SERVICE TEST (CONTINUED)**

#### **Retail Banking Services**

##### ***Distribution of Branches***

Dedham Institution for Savings is located at 55 Elm Street, Dedham Massachusetts, an upper-income census tract. In addition to the main office, the Bank operates seven full-service branch offices and two limited service branch offices. The limited branch offices are located in two retirement communities, but offer all the same services as the traditional branches. The remaining branches are located within middle or upper-income census tracts.

Branch hours are convenient and comparable to other institutions, and services of the Bank are more than sufficient to meet the needs of the assessment area. Office hours for the branches are generally 9:00 a.m. to 3:00 p.m. Monday through Wednesday, 9:00 a.m. to 7:00 p.m. Thursday and Friday, and 9:00 a.m. to 1:00 p.m. on Saturday. The branches that have drive-up windows offer extended hours beyond the normal lobby hours. The convenient hours enable customers with longer work hours to access services at the branches.

Automated Teller Machines (ATMs) are located at all branches. The Bank's ATMs are linked to the SUM network, which allows non-Dedham Institution for Savings' ATM cardholders of other SUM network institutions free use of Dedham Institution for Savings' ATMs. Conversely, Dedham Institution for Savings customers can use other Sum network ATMs without being assessed a surcharge by the other institutions. In addition, the ATM network is linked to the CIRRUS, NYCE, and TX networks.

##### ***Record of Closing Branches***

The Bank maintains a Branch Office Closing and Opening policy which was last reviewed and approved by the Board on January 21, 2005. The policy details the procedures the Bank will follow before closing or opening a branch office. No branches have been closed since the previous examination. The Bank opened a new branch in Needham in July of 2003.

##### ***Alternative Banking Services***

The Bank operates a toll-free, 24-hour automated bank by telephone system. This feature enables customers to obtain current account balances; verify the dates and amounts of recent transactions; verify that a personal check has been paid; transfer funds between accounts; make payments on consumer or mortgage loans; and obtain information about deposit account and loan rates.

Dedham Institution for Savings also offers internet banking. Located at [www.dedhamsavings.com](http://www.dedhamsavings.com), this feature gives customers the ability to manage one's finances from a home or office computer, free of charge. Customers can review checking,

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

### SERVICE TEST (CONTINUED)

savings, and CD accounts; check account balances; make loan payments; transfer funds between accounts; view account histories; and view paid check imaged online. Customer can also apply for consumer loans and home equity loans through this site. Customers can also sign up for the bill pay feature, which enables customers to pay their bills online. Bill Payment is free for the first nine months, \$3.00 a month thereafter with a \$0.35 transaction fee.

Banking by mail is also available for opening and closing accounts, deposits and withdrawals, loan payments, transfers, and CD rollovers. The Bank provides customers with pre-paid postage envelopes for all mail transactions originated in the United States. Currently, there are 160 full time and 64 part-time employees of the Bank. There are 41 bilingual employees to assist the non-English speaking customers and potential customers of the Bank. Second languages include Arabic, French, Gaelic, Hebrew, Italian, Japanese, Latin, Polish, Russian, Sign Language, Spanish, and Urdu. As a result, the Bank is able to provide better service to customers of different ethnic backgrounds.

Dedham Institution for Savings also offers the MasterMoney Debit Card to its customers. This card performs all of the same functions as an ATM card plus the added purchase power of a MasterCard. When the debit card is used to make purchases at any merchant displaying the MasterCard logo, the amount of the purchase is directly withdrawn from the customer's checking account.

#### ***Other Services***

A variety of deposit products, loan products and business services are available at Dedham Institution for Savings locations. The Bank offers checking, passbook and statement savings, certificates of deposit, and individual retirement accounts. The following details the low cost savings and checking accounts offered by the Bank.

As a participant in the Massachusetts Community and Banking Council's (MCBC Basic Banking Program, Dedham Institution for Savings offers low cost savings and checking accounts to all segments of its assessment area, including those with modest incomes. The basic checking account features a low monthly fee (\$3.00) with no minimum balance requirements and eight free checks per month. The Passbook/Statement Savings Account features no monthly fees with a \$10.00 minimum balance requirement to earn interest. The Bank also offers a Relationship Checking Account that will waive the \$6.00 monthly fee on its personal checking account with direct deposit, automobile or mortgage loan or if a \$1,000 account balance is maintained.

Dedham Institution for Savings offers a full range of business banking products and services. These services include business checking, business savings, certificate of deposit accounts, and night deposit service. Commercial loan products include commercial real estate loans; letters of credit; lines of credit; secured loans; term loans; and SBA and other guaranteed loan programs.



## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

### SERVICE TEST (CONTINUED)

#### COMMUNITY DEVELOPMENT SERVICES

The CRA regulation defines a community development service as a service that is primarily for community development purposes and is related to the provision of financial services. Dedham Institution for Savings' qualified community development services demonstrate an adequate level of community development service with some of the Bank's officers providing their technical expertise, experience, and judgment to these organizations.

South West Affordable Housing Partnership: is a non-profit community organization helping low and moderate-income families and individuals find housing options in Dedham, Norwood, Walpole, and Westwood. The Bank's President, a Bank Vice-President, and a Bank Board of Trustee serves on the Board.

Nuestra Comunidad: is a multi-service community corporation that services low and moderate-income individuals in the City of Boston. A Bank officer serves on its loan committee.

Westwood Housing Authority: a Bank Trustee is an elected member to this authority which seeks to provide and promote affordable housing in the Town of Westwood.

Habitat for Humanity: is a non-profit organization dedicated to helping provide housing for low and moderate-income people. A Bank Trustee serves on the Community Resource Committee of this organization.

Hale Reservation: is a non-profit organization that provides low cost programs to children and creates an educational experience by offering students a wide range of courses and workshops. Two Bank Trustees serve as board members.

The Bank has worked extensively with Nuestra Comunidad Development Corp and Neighborhood Affordable Housing. These two non-profit agencies have help meet the needs for affordable housing in Boston's neighborhoods.

Dedham Institution for Savings staff has also expended considerable time and effort competing for funds on behalf of these area organizations and agencies. The Bank has submitted numerous applications to the Federal Home Loan Bank's Affordable Housing Program for varying projects during the examination period. While not all the applications have been successful, those that are provide needed affordable housing units for low and moderate-income individuals and families within the Bank's assessment area.

Other organizations that officers and employees lend their technical expertise to include civic, charitable, religious and fraternal organizations located throughout the assessment area.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)**

### **SERVICE TEST (CONTINUED)**

#### **Educational Seminars**

Bank officers and employees have also participated in seminars and other events sponsored or co-sponsored by the Bank during 2002, 2003, and 2004. These events provide opportunities for Bank representatives to inform those in attendance about the products and services offered by the Bank and to gain information about unmet credit needs in the assessment area.

In an attempt to educate potential applicants about the home buying process, Dedham Institution for Savings has participated in 12 first-time homebuyer seminars during the examination period. Other sponsors or participants in these seminars were the Randolph Banking Collaborative, Nuestra CDC, Neighborhood Housing Services of the South Shore, and the City of Boston's Home Center.

In April 2002 and 2003, Bank representatives participated in the Credit for Life Fair at Massasoit Community College. The purpose of the fair is to help prepare high school seniors for the next step in life after high school with regards to credit, budgeting, and money management.

Twice in 2003 and 2004, the Bank has participated as a workshop facilitator for the Banking Session during the Senior Empowerment Program at Randolph Public Schools and Get Ready for Success Seminar at Avon Public Schools. Through the "Who wants to be Millionaire" game of credit, students are given an introduction to credit awareness and responsibility.

In November 2002, Bank staff taught a basic mortgage class in conjunction with the Massachusetts Bankers Association.

In July and August 2004, Bank staff participated in informal meetings to provide financing options for affordable homebuyers. The Plainville Housing Authority sponsored this meeting.

#### **CONCLUSION (Service Test)**

As illustrated above, officers and employees of Dedham Institution for Savings demonstrated an adequate level of service activity and involvement in community organizations throughout its assessment area. The Bank's products and alternative banking services are tailored to the convenience and needs of its assessment area including low and moderate-income borrowers. Therefore, a rating of "Satisfactory" is warranted.

## **APPENDIX A**

**SCOPE OF EXAMINATION:** Dedham Institution of Savings has one assessment area that was reviewed on-site using the Large Bank CRA evaluation Procedures. The evaluation included an assessment of the Bank's performance within the assessment area, which included the Boston-MA Metropolitan Statistical Area. A review of the Division's records, as well as the Bank's CRA Public File, did not reveal any adverse comments relating to the Bank's CRA performance since the prior examination. The period under review is April 1, 2002 through February 1, 2004. Residential lending activity as reported on the 2003 and 2004 HMDA/LAR and small business loan data reported on the 2003 and 2004 CRA Loan Application Register.

## **APPENDIX B**

### **METROPOLITAN STATISTICAL AREAS**

#### **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE BOSTON-QUINCY, MASSACHUSETTS MD:**

Dedham Institution for Savings operates its main office and all its branches in this MD. Each location is equipped with an ATM.

Included in the Boston-Quincy MD are the communities of Canton, Dedham, Dover, Foxboro, Milton, Medfield, Needham, Norfolk, Norwood, Randolph, Sharon, Stoughton, Walpole, Wellesley, Westwood, and parts of the following neighborhoods of Boston: Roslindale, Hyde Park, and West Roxbury. An overwhelming majority of the census tracts making up the Bank's assessment area are located in this MD. The area's business establishments are for the most part evenly distributed among the census tracts, with upper-income census tracts containing the greatest percentage.

#### **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE BOSTON-QUINCY, MASSACHUSETTS MD:**

##### Lending Test

The Bank's lending in the Boston-Quincy MD is appropriate based on the Bank's structure, branch office network, and the area's population and housing characteristics. A majority of the Bank's residential and small business lending occurred in this MD.

The Bank originated a high level of community development loans within the assessment area portion of the Boston-Quincy MD that meet the definition of community development.

The Bank's loan products are offered throughout the assessment area.

##### Investment Test

Dedham Institution for Savings investment activity in the Boston-Quincy MD is similar to its performance throughout the assessment area. The Bank's qualified investments benefited organizations in its entire assessment area, including the Boston-Quincy MD.

##### Service Test

The Bank's performance in the Boston-Quincy MD is identical to its performance in the entire assessment area. The Bank's products and services are offered and accessible throughout the assessment area.

## **APPENDIX B (CONTINUED)**

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE PROVIDENCE-NEW BEDFORD-FALL RIVER, MASSACHUSETTS MD:**

Effective in calendar year 2004, the Town of Mansfield is part of the Providence-New Bedford-Fall River MD. The remaining 16 cities and towns in the Bank's assessment area are part of the Boston-Quincy MD. The nearest Bank office is located approximately 10 miles away in the Town of Walpole. However, Mansfield is part of the Bank's market area for both loan and deposit operations. Mansfield is composed entirely of upper-income census tracts.

### **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE PROVIDENCE-NEW BEDFORD-FALL RIVER, MASSACHUSETTS MD:**

The volume of loan activity during calendar year 2004 in the Town of Mansfield is too small to draw any conclusions regarding the Bank's CRA performance.

## APPENDIX C

### FFIEC Interagency Core CRA public Evaluation Tables

#### OVERALL LENDING DATA

Depending on the number of optional loan products being considered in the CRA evaluation, Table 1 can consist of two separate and distinct “subtables”.

##### Table 1: Lending Volume

- Presents the number and dollar amount of reportable loans originated and purchased by the institution and its affiliates, if applicable, over the entire evaluation period by assessment area. The deposit data in this table are compiled by the FDIC and are available only as of June 30<sup>th</sup> of each year.

##### Table 1: Other Products

- Presents the number and dollar amount of any unreported category of loans originated and purchased by the institution and its affiliates, if applicable, also being considered during the CRA evaluation.

Examples include consumer loans or other data an institution may provide concerning its lending performance.

#### LENDING PRODUCTS\*

Table 2 and 2a: Geographic Distribution \*\* of Home Purchase Loans

Table 3 and 3a: Geographic Distribution of Home Improvement

Table 4 and 4a: Geographic Distribution of Home Mortgage Refinance Loans

Table 5 and 5a: Geographic Distribution of Multifamily Loans

- Compares the percentage distribution of the number of loans originated and purchased by the institution and its affiliates, if applicable, in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies.
- Presents the most recent aggregate or market share data available.

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\* Whenever a table has a column for a “% of Total,” the percentage should be of the total for the *rated area*, not the overall institution.

\*\* None of the tables containing information relating to distribution by income level of geography (Tables 2 and 2a through 6 and 6a and tables 13 and 14) include a column for geographies that have not been assigned an income classification. These are commonly referred to as “NA” geographies. As such, the sum of the distribution in low-, moderate-, middle-, and upper-income geographies in an assessment area may not equal 100 percent. Loans lacking income data are not included in the calculation of the distribution by income level of geography.

#### Table 6 and 6a: Geographic Distribution of Small Loans to Businesses

- Shows the percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the institution and its affiliates, if applicable, in low-, moderate-, middle-, and upper-income geographies compared with the percentage distribution of businesses (regardless of revenue size) throughout those geographies.
- Presents the most recent aggregate or market share data available.

Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the institution's assessment area.

#### Table 7 and 7a: Geographic Distribution of Small Loans to Farms

- Shows the percentage distribution of the number of small loans (less than or equal to \$500 thousand) to farms originated and purchased by the institution and its affiliates, if applicable, in low-, moderate-, middle-, and upper-income geographies compared with the percentage distribution of farms (regardless of revenue size) throughout those geographies.
- Presents the most recent aggregate or market share data available.

Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the institution's assessment area.

#### Table 8 and 8a: Borrower Distribution of Home Purchase Loans

#### Table 9 and 9a: Borrower Distribution of Home Improvement Loans

#### Table 10 and 10a: Borrower Distribution of Home Mortgage Refinance Loans

- Compares the percentage distribution of the number of loans originated and purchased by the institution and its affiliates, if applicable, to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each assessment area.
- Presents the most recent aggregate or market share data available.

#### Table 11 and 11a: Borrower Distribution of Small Loans to Businesses

#### Table 12 and 12a: Borrower Distribution of Small Loans to Farms

- Compares the percentage distribution of the number of small loans (for businesses, less than or equal to \$1 million; for farms, less than or equal to \$500 thousand) originated and purchased by the institution and its affiliates, if applicable, to businesses or farms with revenues of \$1 million or less to the percentage distribution of businesses or farms with revenues of \$1 million or less or .

- Presents the percentage distribution of the number of loans originated and purchased by the institution and its affiliates, if applicable, by loan size, regardless of the revenue size of the business or farm.
- Presents the most recent aggregate or market share data available.

Table 13: Geographic and Borrower Distribution of Consumer Loans

- For geographic distribution, compares the percentage distribution of the number of loans originated and purchased by the institution and its affiliates, if applicable, in low-, moderate-, middle-, and upper-income geographies with the percentage distribution of households within each geography.
- For borrower distribution, compares the percentage distribution of the number of loans originated and purchased by the institution and its affiliates, if applicable, to low-, moderate-, middle-, and upper-income borrowers to the percentage of households by income level in each assessment area.



## PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (55 Elm Street, Dedham, MA 02026)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.